

The exempt status of a chamber of commerce is not adversely affected by the development of an industrial park in order to attract new industry to the community.

The Internal Revenue Service has been asked whether the activity described below adversely affects the status of a local chamber of commerce otherwise exempt from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954.

As part of its activities, the local chamber of commerce attempts to attract new industry to the community. The community has had difficulty in attracting new industry because of a lack of suitable facilities and services. In order to provide suitable facilities, the chamber has undertaken the development of an industrial park.

The chamber purchased a large tract of land and arranged for the installation of utilities, railroad spurs, and access roads. Appropriate sites are offered to businesses at low prices, sometimes at less than cost, in order to induce them to locate in the community. The primary purpose of this activity is to attract new industry to the community rather than to make a profit.

Initial funds for the purchase and development of the tract were derived from the sales of bonds that are to be retired from the proceeds of the sale of the sites.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues and chambers of commerce not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Under section 1.501(c)(6)-1 of the Income Tax Regulations, a chamber of commerce is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit.

The acquisition, development, and sale of industrial sites in the manner described are conducted in a manner designed to attract industry to the community and is not an activity of a kind ordinarily carried on for profit. Furthermore, the activity is in furtherance of the chamber's purpose of improving the general business conditions of the community.

Accordingly, it is held that the chamber's exemption from Federal income tax under section 501(c)(6) of the Code is not adversely affected by engaging in this activity.